

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	CASE NO. 91-138-H
ADJUSTMENT FILING OF KENTUCKY-)	and
OHIO GAS COMPANY)	CASE NO. 91-138-I

O R D E R

On December 18, 1991, the Commission issued its Order in Case No. 91-138 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On December 12, 1997, Kentucky-Ohio Gas Company ("KOG") filed its quarterly gas cost adjustment ("GCA"), Case No. 91-138-H, which was to become effective January 1, 1998 to remain in effect until April 1, 1998. On January 21, 1998, the Commission issued an Order requesting certain clarifying information from KOG. On February 19, 1998, KOG filed its response. On March 2, 1998, the Commission received KOG's filing of its quarterly GCA which was to become effective April 1, 1998, Case No. 91-138-I.

After reviewing the record in these cases and being otherwise sufficiently advised, the Commission finds that:

1. KOG's notice of December 12, 1997 proposed to pass through to its customers an increase in its expected gas cost ("EGC"). KOG's proposed EGC for the quarter beginning January 1, 1998 is \$2.59 per Mcf. KOG's notice of March 2, 1998

proposed an EGC of \$2.51 per Mcf. The Commission finds that the EGC for KOG should be set on a going-forward basis for the quarter beginning April 1, 1998. KOG's EGC should be \$2.51 per Mcf.

2. KOG's notice set out no refund adjustment.

3. KOG's notices set out information in sufficient detail to calculate a current Actual Adjustment ("AA") of (17.58) cents per Mcf to reconcile net over-recoveries of gas cost from April through December 1997. KOG miscalculated its AAs by failing to use the EGC in effect for each month and by dividing the total cost of volumes purchased by purchase volumes instead of sales volumes. The total AA is 1.42 cents per Mcf, which is composed of the current AA and the third previous quarter AA of 19 cents per Mcf. The previous quarter and second previous quarter AAs have expired.

4. KOG's corrected gas cost recovery rate is \$2.5242 per Mcf, which is a decrease of 57.58 cents per Mcf from KOG's last GCR.

5. KOG's corrected adjustment in rates is fair, just, and reasonable, in the public interest, and should be effective with service rendered on and after April 1, 1998.

IT IS THEREFORE ORDERED that:

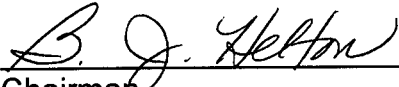
1. The rates proposed by KOG are denied.

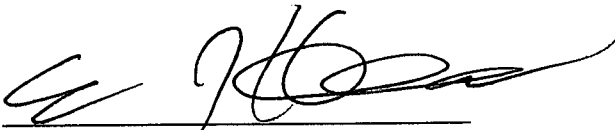
2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective for final meter readings on and after April 1, 1998.

3. Within 30 days of the date of this Order, KOG shall file with the Commission its revised tariffs setting out the rates authorized in this Order.

Done at Frankfort, Kentucky, this 25th day of March, 1998.

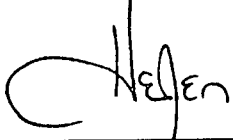
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 91-138-H AND 91-138-I DATED MARCH 25, 1998

The following rates and charges are prescribed for the customers in the area served by Kentucky-Ohio Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

<u>Monthly</u>	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
All Mcf	\$4.24	\$2.5242	\$6.7642

Minimum Bill

The minimum bill shall be	\$6.76
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